

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

IN REPLY REFER TO:

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

ISSUANCE OF A RESTAURANT AND LOUNGE
CONCESSION AT HILO INTERNATIONAL AIRPORT
AND KONA INTERNATIONAL AIRPORT AT KEAHOLE

HAWAII

The Department of Transportation (DOT) proposes to offer a Restaurant and Lounge Concession Agreement at the Hilo International Airport and Kona International Airport at Keahole on the Island of Hawaii. The following contains a description and summary of some of the major terms and conditions that the DOT anticipates incorporating into the Concession Agreement (Agreement):

PURPOSE:

To award the Agreement to a qualified Concessionaire submitting the highest bid to exclusively operate the Concession at Hilo International Airport and Kona International Airport at Keahole.

LEGAL REFERENCE:

Chapter 102, Hawaii Revised Statutes, as amended

LOCATION AND TAX MAP KEY:

Hilo International Airport, Island of Hawaii
3rd Division – 2-1-12:Por of 12

Kona International Airport, Island of Hawaii
3rd Division – 7-5-03:Por. of 71

PREMISES:

At the Commencement of the Agreement:

1. Hilo International Airport

- a. Food and Beverage (Sales) Space, Departure Terminal Bldg. 307
 - (1) Space No. 121, containing a total area of approximately 4,981.17 square feet, as shown on the attached Exhibit B, dated January 2007.
 - (2) Space No. 145B, containing a total area of approximately 600 square feet, as shown on the attached Exhibit C, dated January 2007.
 - b. Storage (Non-Sales) Space, Departure Terminal Bldg. 307
 - (1) Space No. 121A, containing a total area of approximately 1,079.03 square feet, as shown on the attached Exhibit B, dated January 2007.
2. Kona International Airport at Keahole
- a. Food and Beverage (Sales) Space, Main Terminal Bldg. 309
 - (1) Space No. 101, containing a total area of approximately 2,168.18 square feet, as shown on the attached Exhibit D, dated January 2007.
 - (2) Space No. 102, containing a total area of approximately 38.12 square feet, as shown on the attached Exhibit D, dated January 2007.
 - b. Food and Beverage (Sales) Space, Main Terminal Bldg. 325
 - (1) Space No. 101, containing a total area of approximately 2,162.43 square feet, as shown on the attached Exhibit E, dated January 2007.
 - c. Storage (Non-Sales) Space, Maintenance Bldg. 331
 - (1) Space No. 105, containing a total area of approximately 462.70 square feet, as shown on the attached Exhibit F, dated January 2007.

During the Term of the Agreement:

The DOT may, at the DOT's sole discretion, require or permit the Concessionaire to add additional spaces.

If the Concessionaire requests and the DOT, at its sole discretion, agree to make available additional space over and above the spaces initially allocated under the Agreement, the Concessionaire shall pay for such additional space as follows:

- a. floor rent equal to the square footage of such additional space multiplied by the rates and charges applicable to such additional space as established by the DOT; and
- b. the gross receipts received or realized by the Concessionaire from or otherwise attributable to such additional space shall be included in the percentage fee obligation payable by the Concessionaire under the Agreement.

If the DOT, at its sole discretion, requires the Concessionaire to take or use additional space over and above the space initially allocated under the Agreement, the Concessionaire shall not be obligated to pay floor rent for such space but shall include the gross receipts received or realized by the Concessionaire from or otherwise attributable to such additional space in the percentage fee obligation payable by the Concessionaire under the Agreement.

ZONING:

Hilo: State Land Use: Urban	County: Industrial (ML20)
Kona: State Land Use: Urban	County: Industrial (MG1a)

LAND USE:

Hilo: Section 5(b), Hawaii Admission Act – Ceded
DHHL 30% entitlement lands Yes___ No X

Kona: Section 5(b), Hawaii Admission Act – Ceded
DHHL 30% entitlement lands Yes___ No X

TERM:

Ten (10) years commencing on October 1, 2007 and ending on September 30, 2017

CONCESSION FEE:

1. Annual Concession Fee. The total Annual Concession Fee shall be the greater of the following:

- a. Minimum Annual Guaranteed Fee. The minimum annual guaranteed fee for the first year of the term of this Agreement, as set forth in the Concessionaire's Bid Proposal (hereafter the "MAG"), and the minimum annual guaranteed fee for each succeeding agreement year shall be 85% of the actual annual fee paid and payable to the State (either MAG or percentage) for each airport for the preceding year; or
- b. Percentage Fee. For the first year of the term of this Agreement, the percentage fee shall be the sum of:
 - (1) Hilo International Airport
 - (a) Alcoholic Beverages. Ten percent (10%) of the Concessionaire's annual gross receipts generated from, related or attributable to, or connected with the sale of liquor and other alcoholic beverages; and
 - (b) Restaurant, In-Flight Catering and Other. Seven and one-half percent (7.5%) of the Concessionaire's annual gross receipts from, related or attributable to, or connected with the sales of food, beverages, catering services and other activities (excluding gross receipts from the sale of liquor and other alcoholic beverages).
 - (2) Kona International Airport at Keahole.
 - (a) Alcoholic Beverages. Thirteen percent (13%) of the Concessionaire's annual gross receipts generated from, related or attributable to, or connected with the sale of liquor and other alcoholic beverages; and
 - (b) Restaurant, In-Flight Catering and Other. Eight per cent (8%) of the Concessionaire's annual gross receipts from, related or attributable to, or connected with the sales of food, beverages, catering services and other activities (excluding gross receipts from the sale of liquor and other alcoholic beverages).
- c. Succeeding years. For each succeeding year of the remaining Agreement term, the percentage fee for each category shall be separately determined based on the gross receipts in the preceding agreement year of that category in accordance with Table 1 below.

Table 1 – Annual Gross Receipts/Percentage Fee	
Kona International Airport at Keahole	
Alcoholic Beverages	
Annual Gross Receipts	Percentage Fee
Less than \$700,000.00	12%
\$700,000.00 to \$899,999.99	13%
\$900,000.00 to \$1,200,000.00	14%
More than \$1,200,000.00	15%
Restaurant, In-Flight Catering and Other	
Annual Gross Receipts	Percentage Fee
Less than \$1,600,000.00	7.0%
\$1,600,000.00 to \$1,799,999.99	7.5%
\$1,800,000.00 to \$2,099,999.99	8.0%
\$2,100,000.00 to \$2,399,999.99	8.5%
\$2,400,000.00 to \$2,800,000.00	9.0%
More than \$2,800,000.00	9.5%
Hilo International Airport	
Alcoholic Beverages	
Annual Gross Receipts	Percentage Fee
Less than \$50,000.00	9.0%
\$50,000.00 to \$79,999.99	9.5%
\$80,000.00 to \$119,999.99	10.0%
\$120,000.00 to \$170,000.00	10.5%
More than \$170,000.00	11.0%
Restaurant, In-Flight Catering and Other	
Annual Gross Receipts	Percentage Fee
Less than \$150,000.00	6.5%
\$150,000.00 to \$299,999.99	7.0%
\$300,000.00 to \$499,999.99	7.5%
\$500,000.00 to \$700,000.00	8.0%
More than \$700,000.00	8.5%

The minimum annual guarantee fee for Hilo International Airport for the first agreement year shall not be less than TWENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$25,000.00) and the minimum annual guarantee fee for Kona International Airport at Keahole shall not be less than ONE HUNDRED EIGHTY THOUSAND AND NO/100 DOLLARS (\$180,000.00).

In addition to the rental schedule described above, the Agreement will contain provisions to allow the DOT to address and respond to relief and adjustments in the event there are situations or periods of economic emergency or crises that impact the concession.

DBE GOAL:

A DBE minimum participation goal of fifteen percent (15%) will be used to meet the latest DBE regulations of the FAA, U.S. Department of Transportation.

IMPROVEMENTS:

The Concessionaire will be required to invest a minimum total of \$450,000.00 for Hilo International Airport and \$1,450,000.00 for Kona International Airport at Keahole for improvements, certain trade fixtures, cash registering equipment, refrigeration equipment, display cases and shelving, at, on, or within the Premises of the spaces assigned under the Agreement in accordance with DOT and County building standards. The DOT may establish separate minimum investment amounts for improvements, display cases and equipment applicable to any space added over and above the spaces initially allocated in the Agreement.

BASIS OF AWARD:

The award of this Agreement will be to the highest responsible bidder, based upon the total amount of the MAG bid for the first year of the Agreement, which has also met or exceeded the DBE goal, qualifications and requirements.

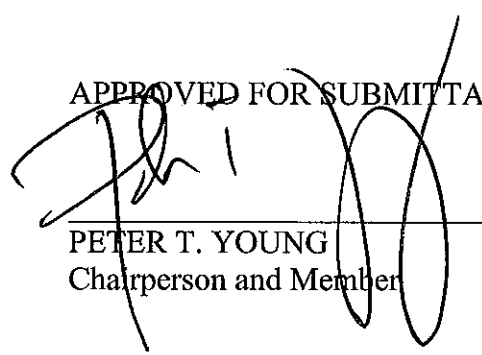
RECOMMENDATION:

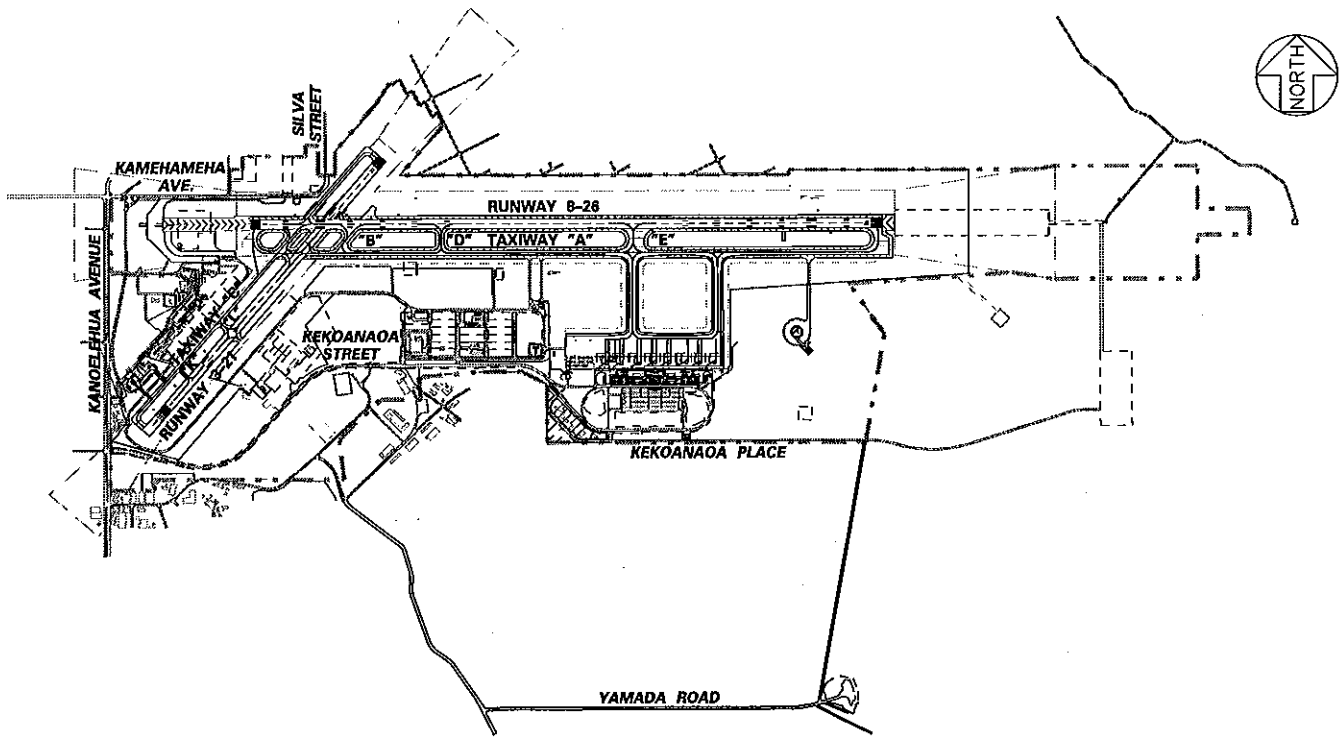
That the Board authorizes the call for sealed bid tenders and issuance of a new Restaurant and Lounge Concession subject to: (1) the terms and conditions hereinabove outlined; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interest of the State; and (3) the review and approval of the Department of the Attorney General's Office as to the Agreement form and consent.

Respectfully submitted,

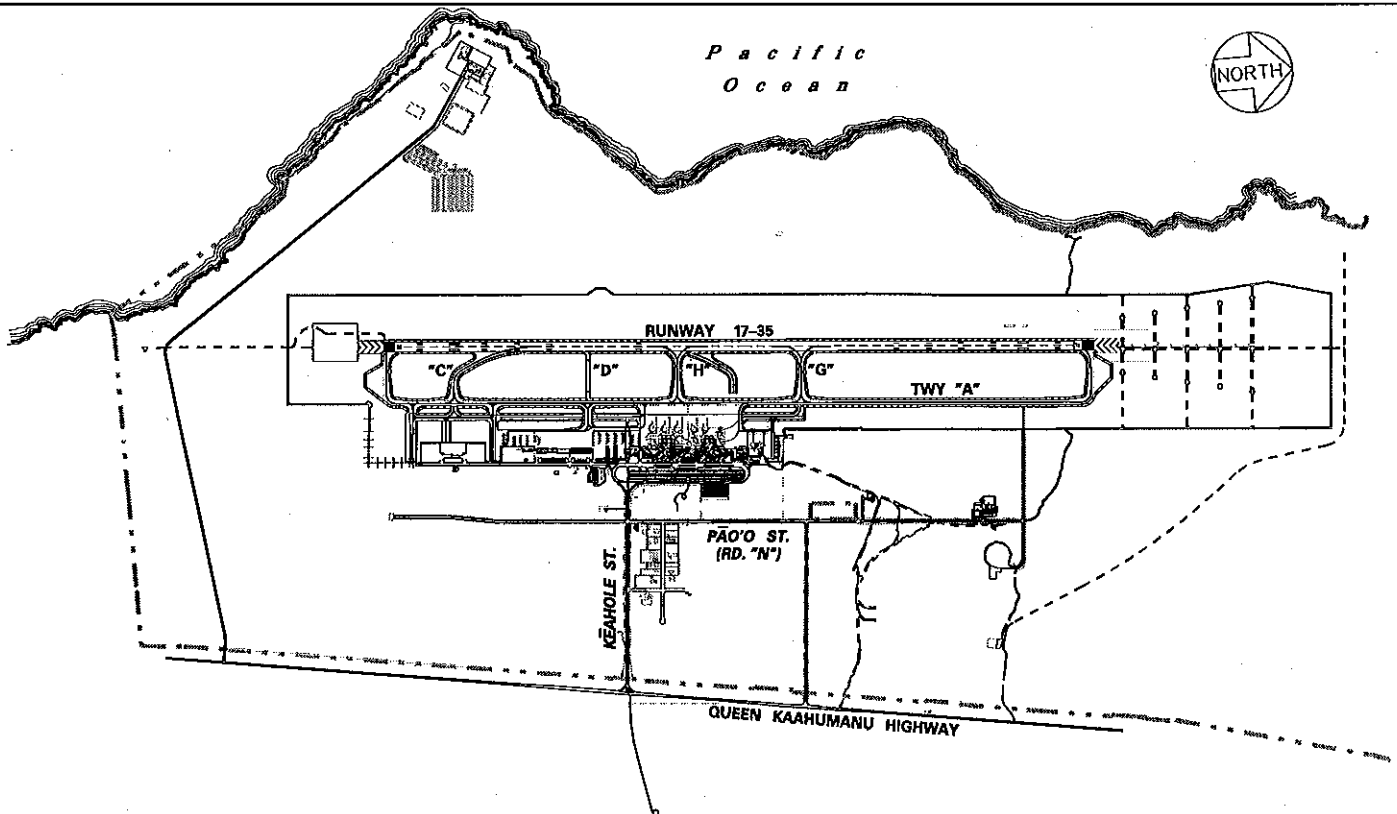

BARRY FUKUNAGA
Interim Director of Transportation

APPROVED FOR SUBMITTAL:


PETER T. YOUNG
Chairperson and Member



HILO INTERNATIONAL AIRPORT



KONA INTERNATIONAL AIRPORT AT KEAHOLE

SCALE: 1"=3000'

DATE: JANUARY 2007

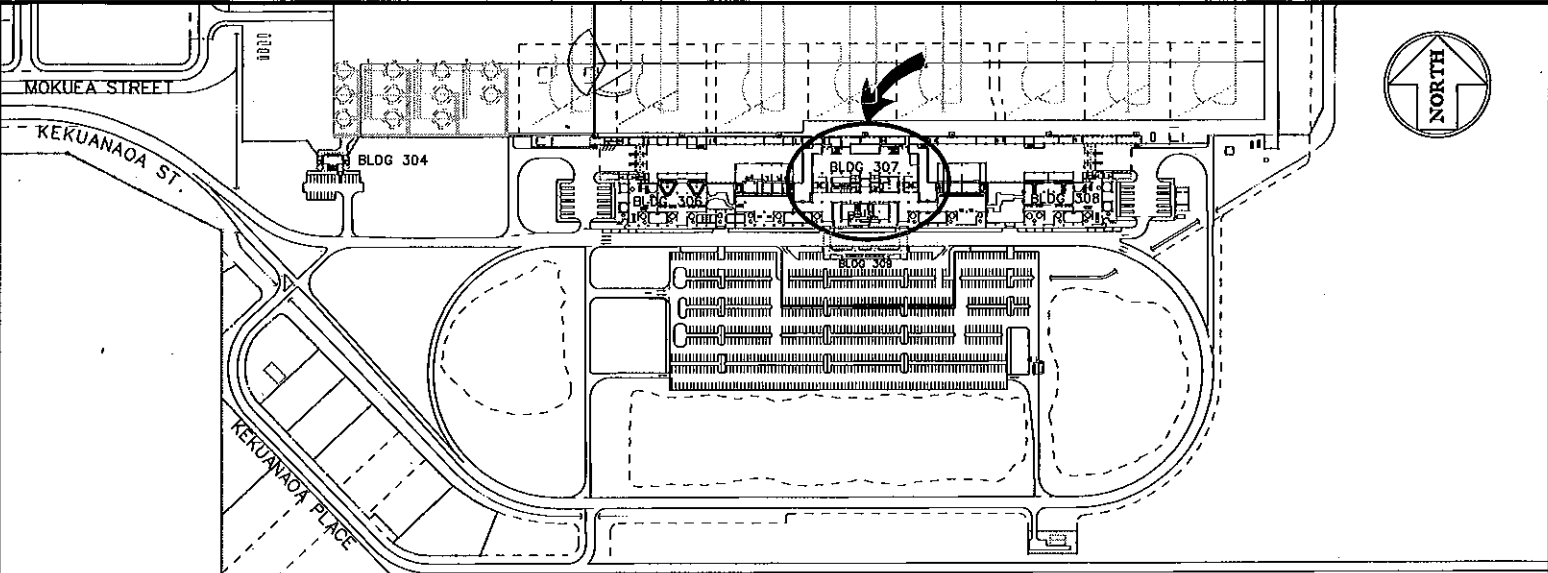
EXHIBIT: **A**



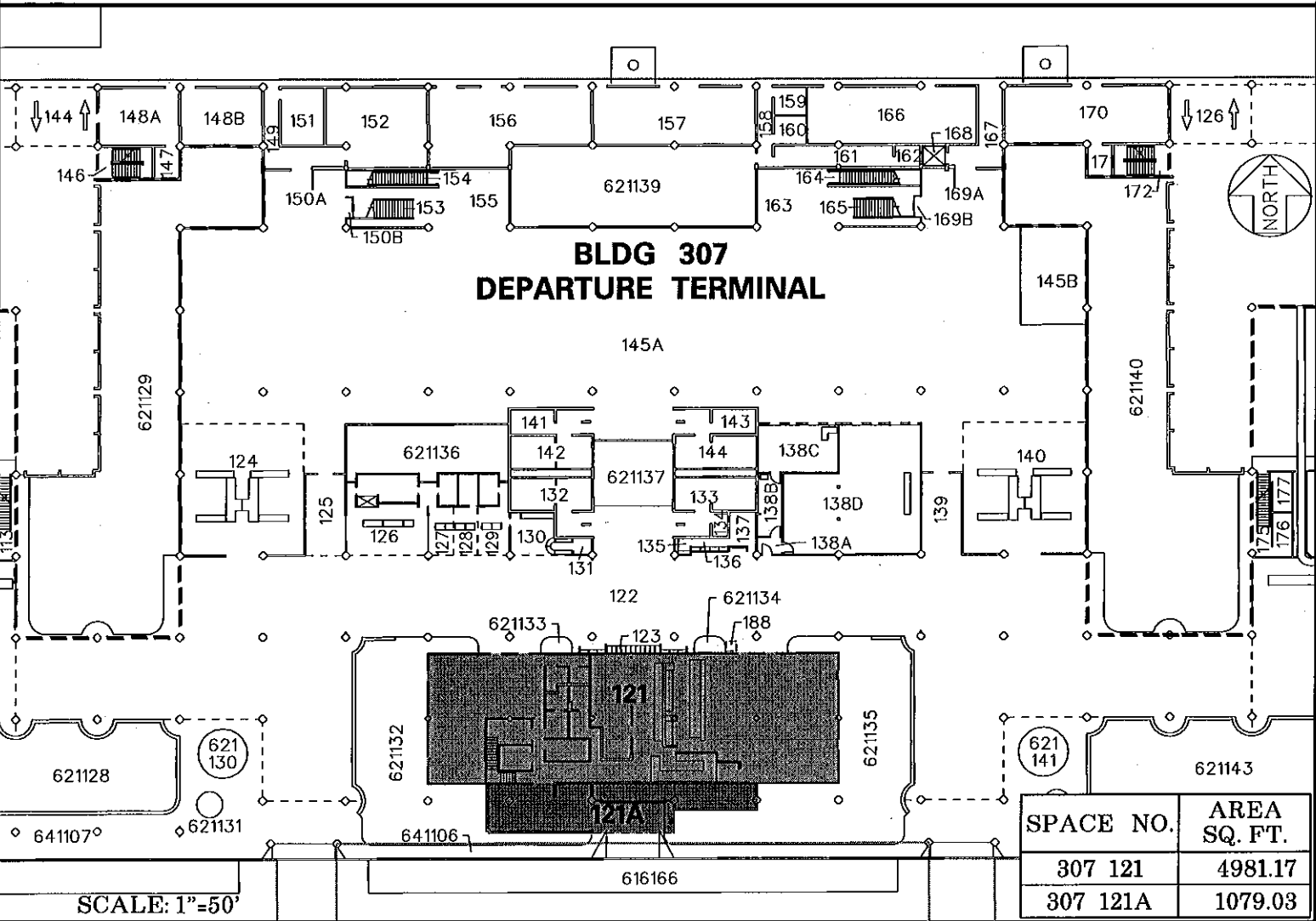
Airports Division

"AIRPORT"

PLAT 01



LOCATION PLAN



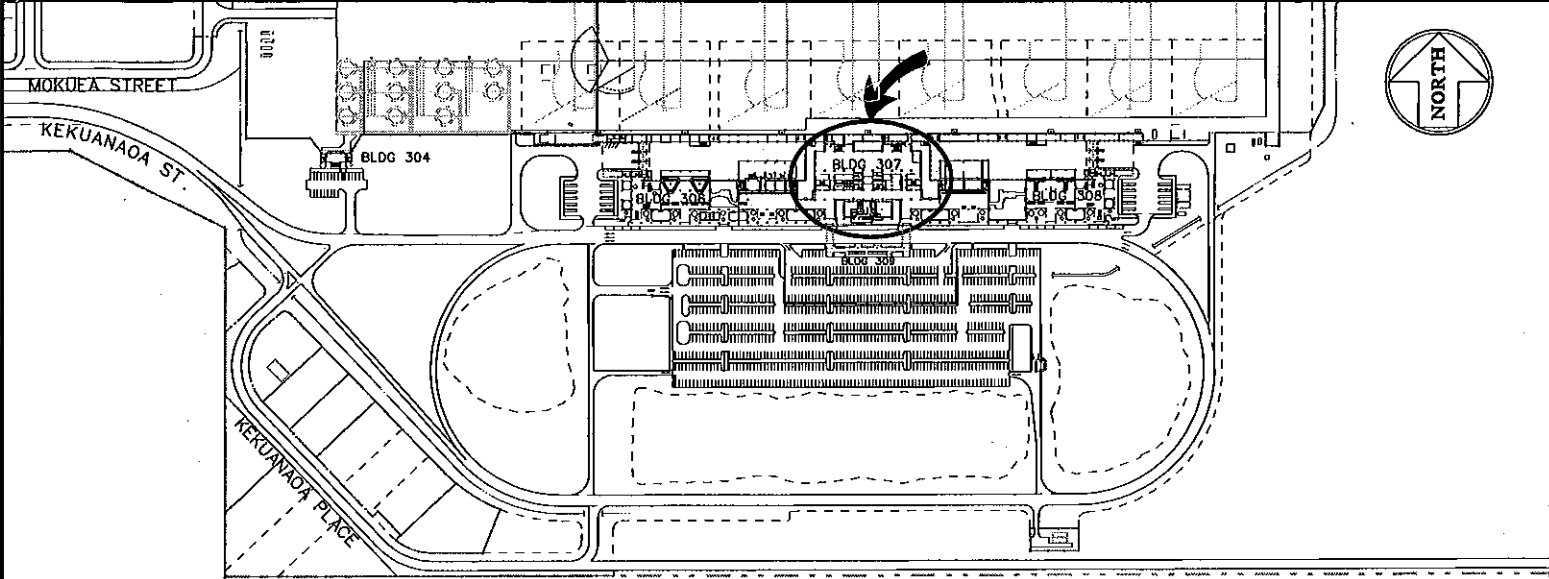
SPACE NO.	AREA SQ. FT.
307 121	4981.17
307 121A	1079.03

DATE: JANUARY 2007 EXHIBIT: **B**

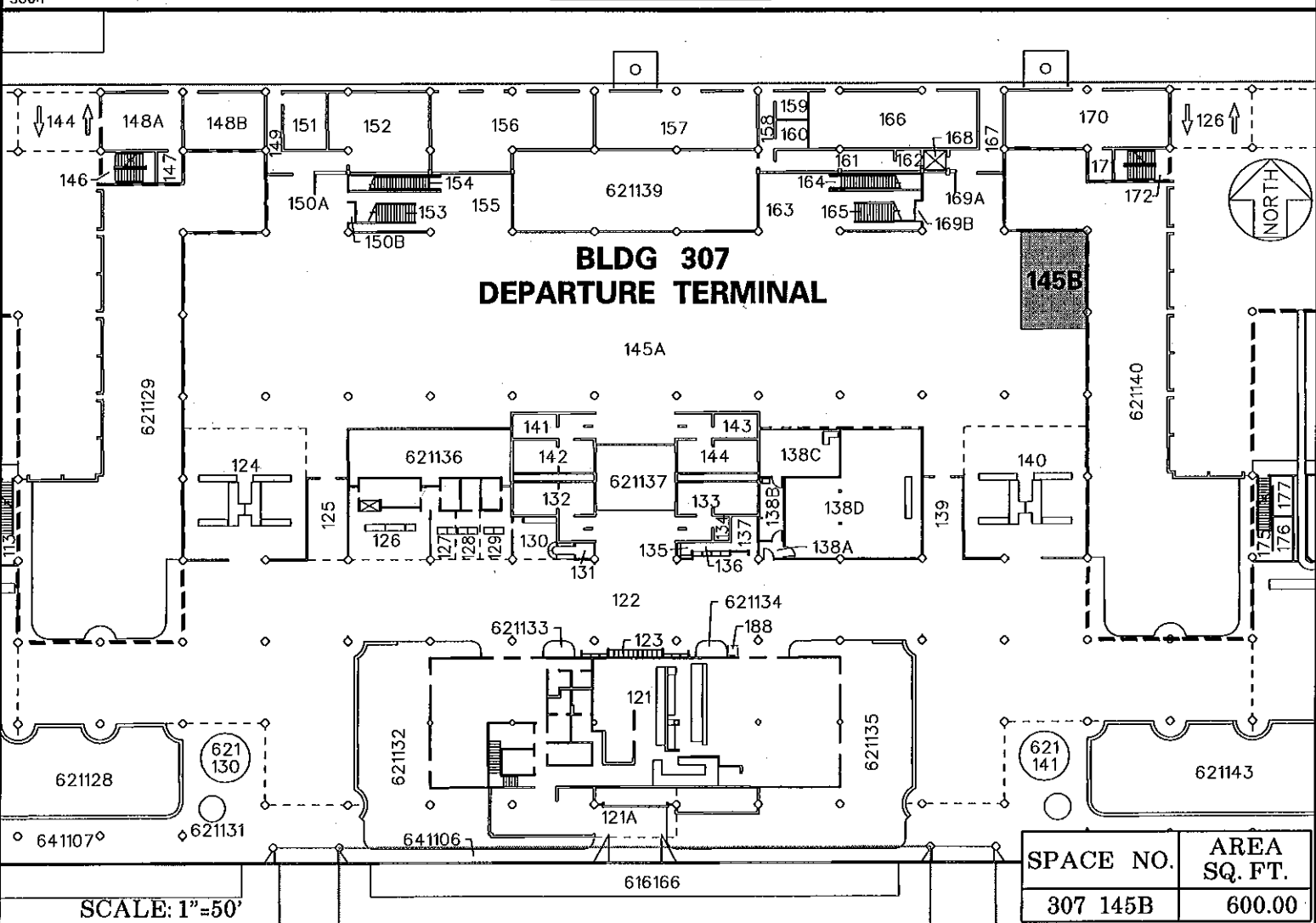
<p>Department of Transportation State of Hawaii</p>	<p>Airports Division</p>	<p>RESTAURANT AND LOUNGE CONCESSION</p>	<p>BLDG 307 DEPARTURE TERMINAL</p>	<p>307-121, 307-121A</p>
				<p>PLATS C1, 42</p>

HILO INTERNATIONAL AIRPORT

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LOCATION PLAN



DATE: JANUARY 2007

EXHIBIT: **C**



Airports Division

RESTAURANT AND
LOUNGE CONCESSION

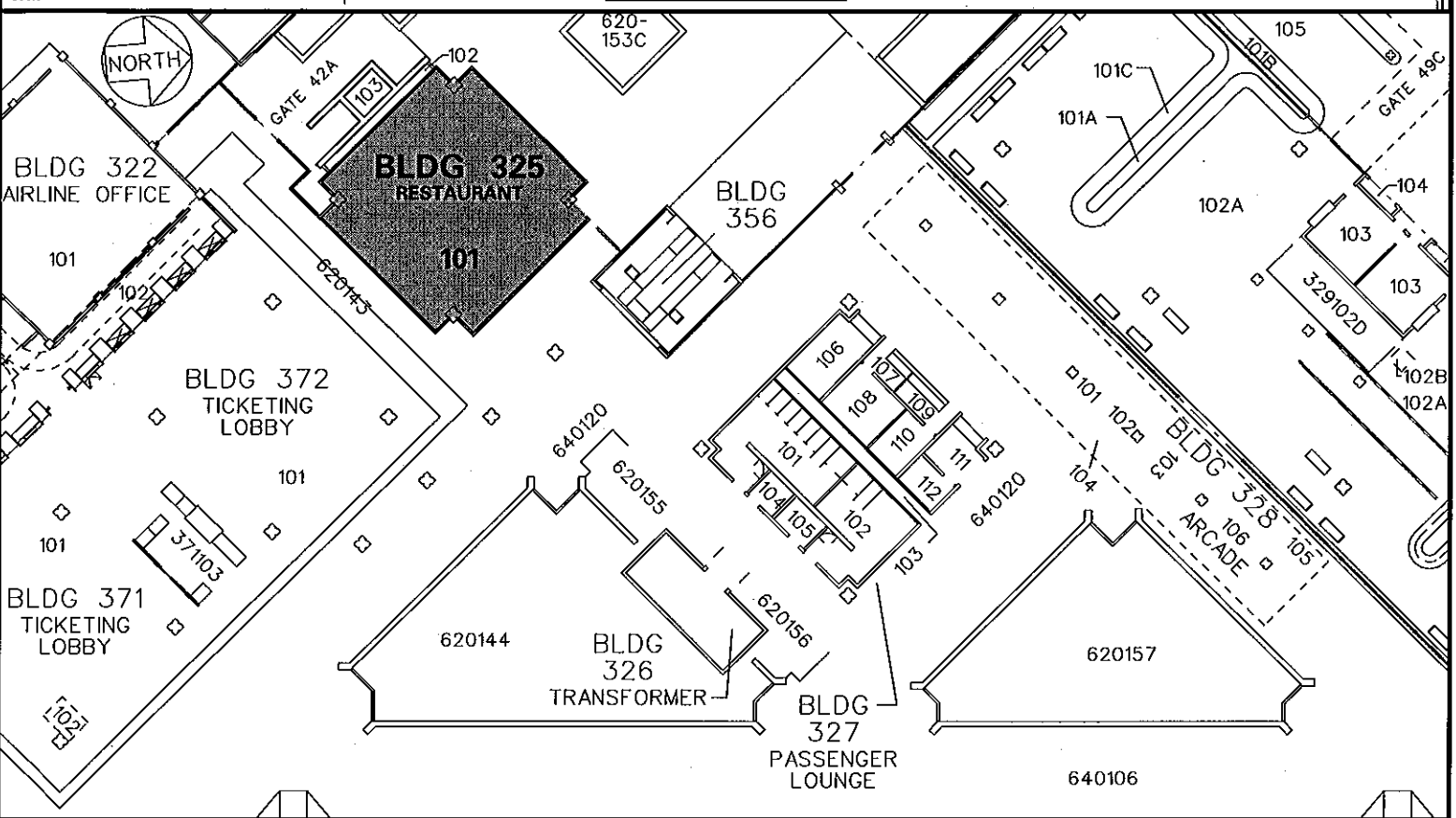
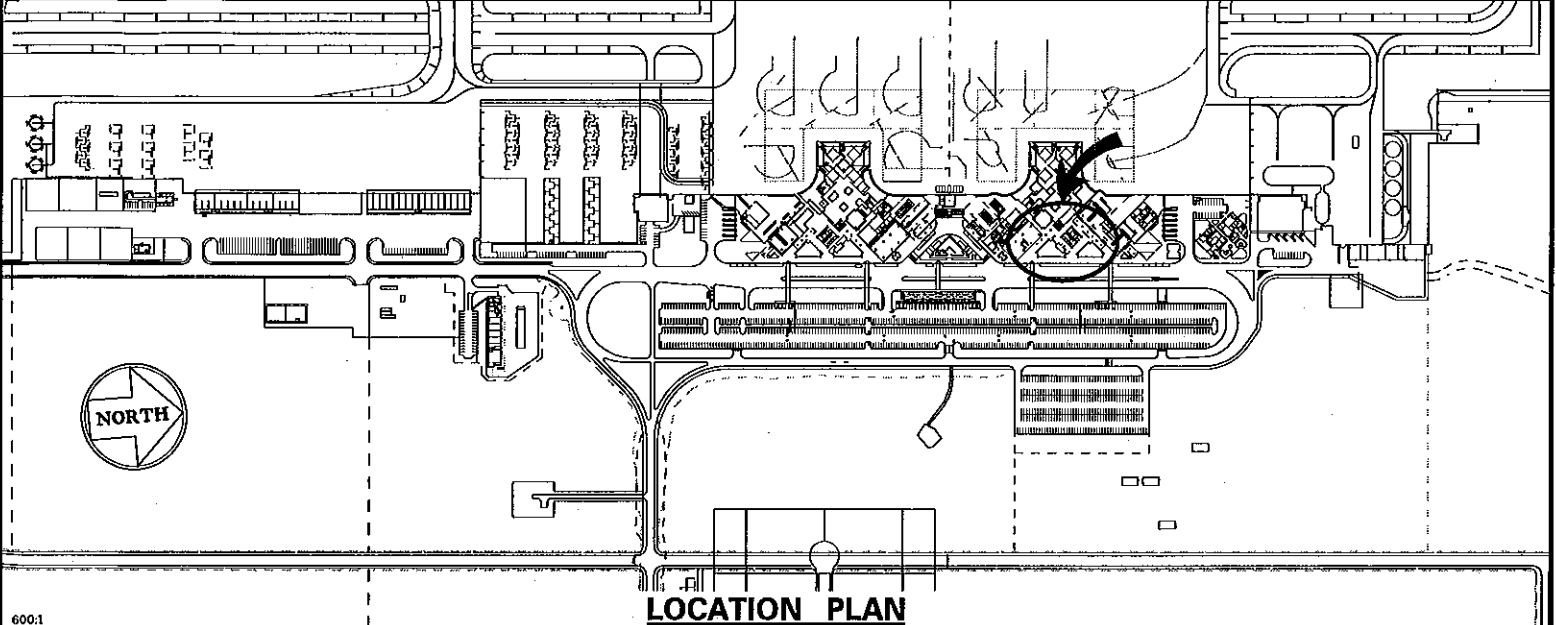
BLDG 307
DEPARTURE TERMINAL

307-145B

PLATS C1, 42

HILO INTERNATIONAL AIRPORT

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610133

610134A

610134B

KŪPIPI STREET (PERIPHERY ROAD)

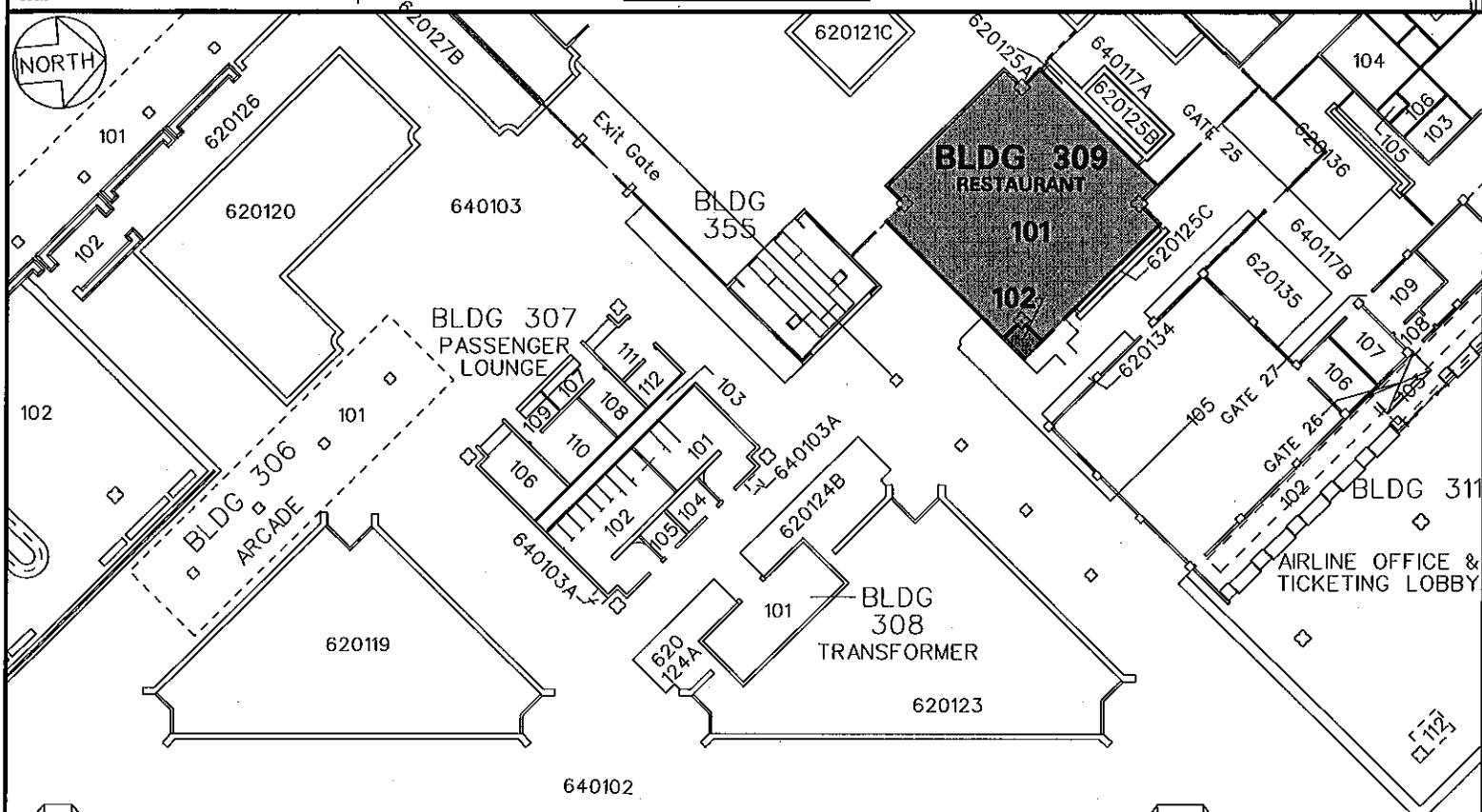
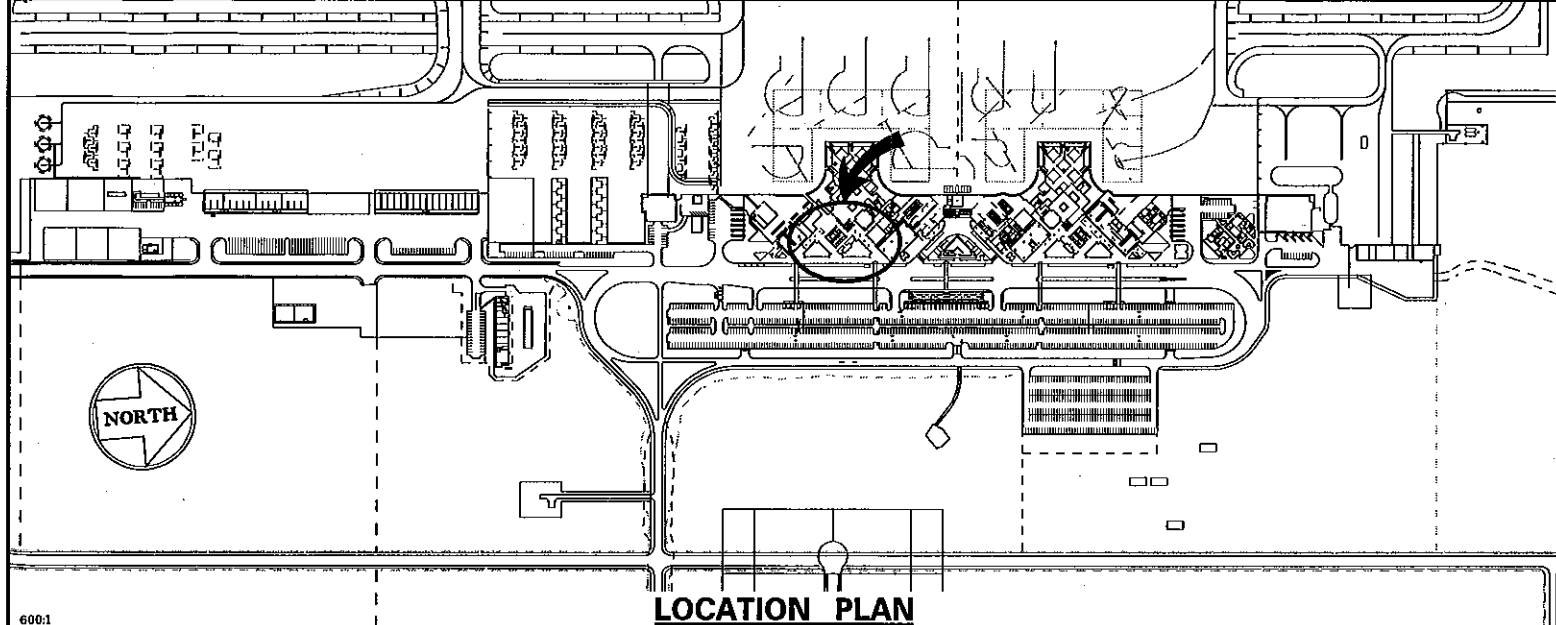
SCALE: 1"=40'

SPACE NO.	AREA SQ. FT.
325 101	2162.43

DATE: JANUARY 2007		EXHIBIT: E	
<p>Department of Transportation State of Hawaii</p>	<p>Airports Division</p> <p>RESTAURANT AND LOUNGE CONCESSION</p>	<p>BLDG 325</p> <p>MAIN TERMINAL</p>	325-101
			PLATS E1, 58

KONA INTERNATIONAL AIRPORT AT KEAHOLE

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610128A

KŪPIPI STREET (PERIPHERY ROAD)

SCALE: 1"=40'

610128B

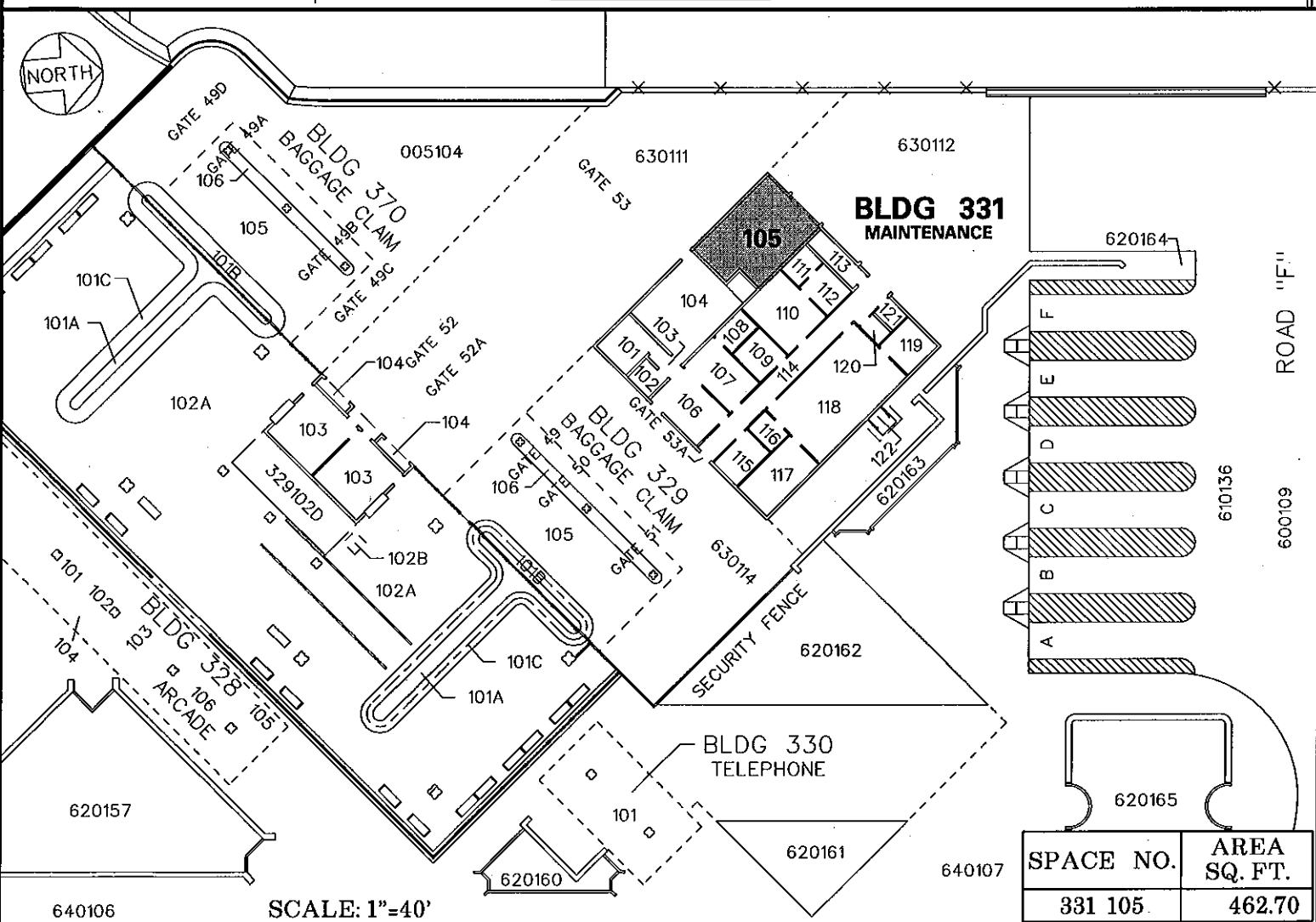
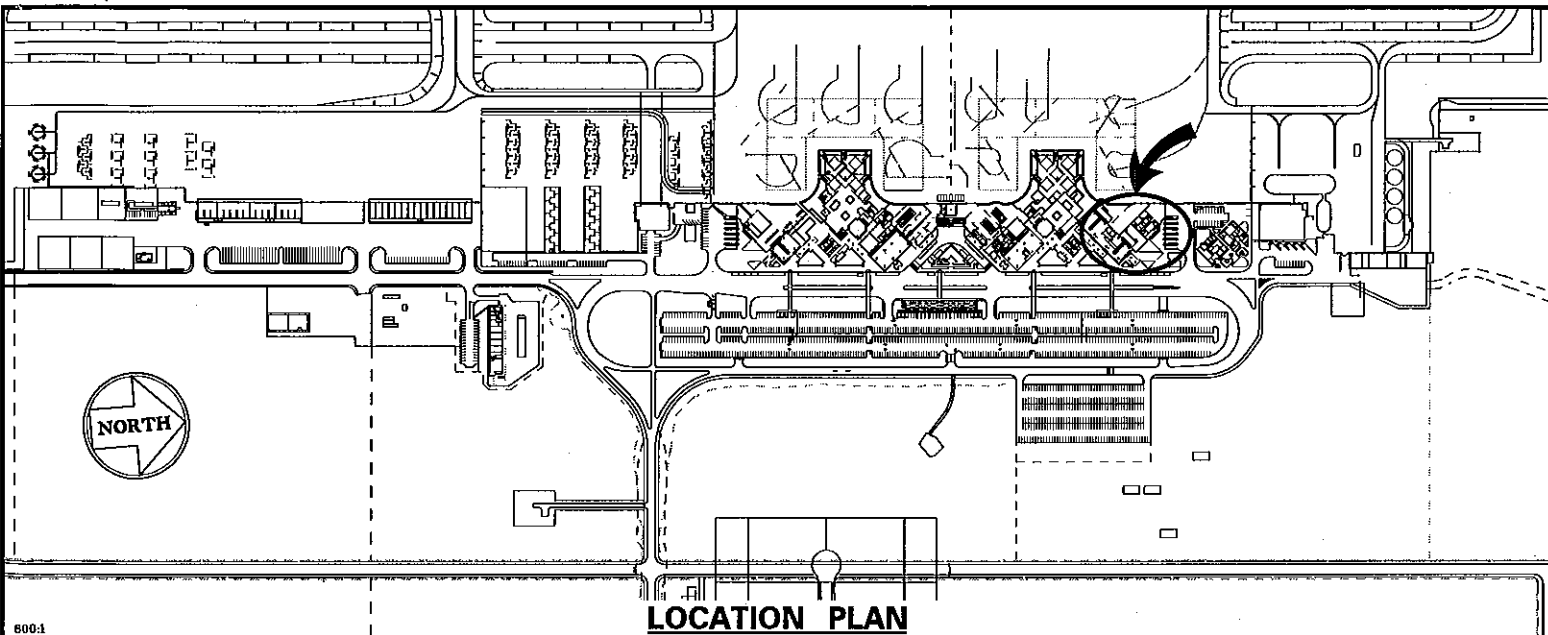
610129

SPACE NO.	AREA SQ. FT.
309 101	2168.18
309 102	38.12

DATE: JANUARY 2007		EXHIBIT: D	
<p>Airports Division</p>	<p>RESTAURANT AND LOUNGE CONCESSION</p>	<p>BLDG 309 MAIN TERMINAL</p>	<p>309-101, 309-102</p> <p>PLATS D1, 38, 39, 59</p>

KONA INTERNATIONAL AIRPORT AT KEAHOLE

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DATE: JANUARY 2007

EXHIBIT: **F**



Airports Division

**RESTAURANT AND
LOUNGE CONCESSION**

**BLDG 331
MAINTENANCE**

331-105

PLATS E1, 58

KONA INTERNATIONAL AIRPORT AT KEAHOLE

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